

Labor organization; litigation activities on behalf of public employees. An organization whose members are exempt labor unions representing public employees and which is primarily engaged in supporting litigation activities, proper for any one of its member unions, directed to the betterment of conditions for public employees qualifies for exemption under section 501(c)(5) of the Code.

Advice has been requested whether the nonprofit organization described below qualifies for exemption from Federal income tax under section 501(c)(5) of the Internal Revenue Code of 1954.

The organization was formed to advance the interests of public employees throughout the United States by coordinating the legislative, legal, and public relations efforts of its member organizations which are exempt as labor organizations described in section 501(c)(5) of the Code and which are composed of employees of federal, state, county, and municipal governments. The organization is managed by a board of directors appointed by the member organizations. Its activities include working for the enactment of legislation favorable to all public employees, holding meetings, and publishing documents that articulate the interests of such employees, but the organization is primarily engaged on behalf of its members in supporting litigation in the manner hereinafter described.

Member organizations frequently have a common interest in certain litigation before the courts. The organization, whenever possible, files a single amicus curiae brief in behalf of the members in such litigation. Cases recommended for such litigation support must be approved by the board of directors of the organization. The criteria for selection are the relevance of the issues to public employees and the effect the outcome of the litigation would have on their economic, professional, and social interests. The organization occasionally becomes involved in behalf of an individual through litigation, but only as an amicus curiae. The criteria used in this instance are that the case is of such precedential importance that it is in the interest of all public employees for the organization to become involved.

The specific question is whether the litigation support rendered under the circumstances described is consistent with the statutory requirements for exemption under section 501(c)(5) of the Code.

Section 501(c)(5) of the Code provides for the exemption from Federal income tax of labor organizations.

Section 1.501(c)(5)-1 of the Income Tax Regulations provides that labor organizations contemplated by section 501(c)(5) of the Code are those which have no net earnings inuring to the benefit

of any member, and have as their objectives the betterment of the conditions of those engaged in such pursuits, the improvement of the grade of their products, and the development of a higher degree of efficiency in their respective occupations.

The litigation activities carried on by the organization are directed to the betterment of the conditions of those persons engaged in public service, are germane to the attainment of its objectives, and would be proper activities for any one of its exempt members to conduct. Accordingly, the organization qualifies for exemption from Federal income tax under section 501(c)(5) of the Code as a labor organization. See, generally, *Portland Cooperative Labor Temple Association*, 39 B.T.A. 450 (1939), *Acq.*, 1939-1 C.B. 28, and *Rev. Rul. 68-534*, 1968-2 C.B. 217.

Even though an organization considers itself within the scope of this Revenue Ruling, it must file an application on Form 1024, *Application for Recognition of Exemption*, in order to be recognized by the Service as exempt under section 501(c)(5) of the Code. The application should be filed with the District Director of Internal Revenue for the district in which is located the principal place of business or principal office of the organization. See section 1.501(a)-1 of the regulations.